

FINANCIAL PERFORMANCE OF PUBLIC SECTOR BANKS IN INDIA

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ABSTRACT

Public Sector Banks are major kinds of bank in India; where as greater number of Stake (More than 50%) is detained by a Government. The shares of the Public Sector Banks are listed on stock exchanges. There are 21 Public Sector Banks alongside 1 State owned Payments Bank in India. In India like in almost all the other countries and states in the world, there are two main classes of banks namely the public sector banks and the private sector banks. The Public Sector category consists of banks in which the government of India owns a major part of the stake. Public sector banks have a major impact on the Indian economy because they keep a stronghold thus being formidable forces in the banking sector. Public Sector Banks are controlled and managed by the government of India. Public sector banks have been serving the nation for over centuries and are well known for their affordable and quality services. The banking sector in India is mostly dominated by the Public Sector Banks. The Public Sector Banks in India alone account for 75 percent of the total advances in the Indian Banking Industry. Public Sector Banks have shown remarkable growth over the last five four decades.

KEYWORDS: Stock Exchanges, Stronghold, Formidable Forces, Affordable & Quality Services

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INTRODUCTION

Table 1

Public Sector Banks in India		
Allahabad Bank	Corporation Bank	Punjab National Bank
Andhra Bank	Dena Bank	State Bank of India
Bank of Baroda	Indian Bank	Syndicate Bank
Bank of India	Indian Overseas Bank	UCO Bank
Bank of Maharashtra	IDBI	Union Bank of India
Canara Bank	Oriental Bank of Commerce	United Bank of India
Central Bank of India	Punjab & Sind Bank	Vijaya Bank

The concept of Banking in India dates back to the first half of 18th century. The first bank was established in the country was The General Bank of India founded in 1786¹. After that the State Bank of India in Kolkata in 1806 which was then known as The Bank of Bengal. The operations of all the banks in India are controlled by the Reserve Bank of India. All the Indian Banks are governed by the Reserve Bank of India (RBI). This governing body took over the reasonability of formally regulating the Indian banks in 1935. The Reserve Bank of India was announced as the official Central Banking Authority for the smooth supervision of the banking industry in India. Allahabad Bank was the first fully owned Indian bank. It was founded in the year 1865. In total India have 27 public sector banks. They are vastly dispersed and distributed in the country. Bank of Baroda has merged Vijaya

¹ <http://www.banking system in India>

Bank and Dena Bank with itself. Following this merger, the number of public sector banks in India has come down to 18. The banking scenario in India has already gained momentum, with the domestic and international banks gathering pace. All the banks in India are following the 'cost', determined by revenue minus profit model. This means that all the resources should be used efficiently to improve the productivity and ensure a win-win situation. To survive in the long run, it is essential to focus on cost saving. Previously, banks focused on the 'revenue' model which is equal to cost plus profit. Post the banking reforms, banks shifted their approach to the 'profit' model, which meant that banks aimed at higher profit maximization.

PAYMENTS BANKS

Payments Banks is a new model of banks conceptualized by the Reserve Bank of India (RBI). These banks can accept a restricted deposits, which is currently limited to 1,00,000 per customer and may be increased further. These banks cannot issue loans and credit cards. Both current account and savings account can be operated by such banks. Payments banks can issue services like ATM cards, debit cards, net-banking and mobile-banking.² According to Reserve Bank of India guidelines for licencing of Payments Banks, the main objective of a payment bank is to enhance financial inclusion.

Payment Banks are Differ from Normal Banks by way of

- IPPB Accounts: IPPB account holders can also use the mobile banking app for checking balance, statement, bill payments and for online transfers.
- Payment banks cannot lend loans
- These bank Deposits are up to Rs.1 lakh
- It Cannot issue credit cards
- Payment banks can act as business correspondents
- Minimum Capital of Rs.100 crore
- Foreign holding in these banks
- Customer grievance cell
- Distribution of financial products
- Best for Cashless transactions
- Freebies to sweeten the deal
- Avail higher interest rates on a zero balance account

²[http:// Reserve Bank of India-List of Private Sector Banks in India: List of Payments Banks \(PB\)](http://Reserve Bank of India-List of Private Sector Banks in India: List of Payments Banks (PB))

Table 2

Of the 41 applicants, the list of RBI approved payments bank licenses are ³	list of active payments banks
Aditya Birla Nuvo Limited Airtel M Commerce Services Limited Cholamandalam Distribution Services Limited India Department Posts Fino Pay Tech Limited National Securities Depository Limited Reliance Industries Limited Shri DilipShantialShanghvi Paytm Payments Bank Limited Tech Mahindra Limited Vodafone m-pesa Limited	Aditya Birla Payment Bank Airtel Payments Bank India Post Payments Bank Fino Payments Bank Jio Payments Bank Paytm Payments Bank NSDL Payments Bank Bharti Airtel launched India's first live payments bank named Airtel Payments bank in March 2017.

Bharti Airtel set up India's first live payments bank. This bank can also provide loan. On 23 September 2013, Committee on Comprehensive Financial Services for Small Businesses and Low Income Households, headed by Nachiket Mor was formed by the RBI. On 7th January 2014, the Nachiket Mor committee submitted its final report. Among its various recommendations, it recommended the formation of a new category of bank called payments bank. On 17th July 2014, the RBI released the draft guidelines for payments banks, seeking comments for interested entities and the general public. On 27th November, RBI released the final guidelines for payments banks.

VISION

India's central bank, the Reserve Bank of India (RBI), was setting up during the British rule in 1935. Farmer deaths due to the oppression of unscrupulous private lenders should weigh in on a banker's conscience, the Prime Minister of India said⁴. Bankers are the conduit to ushering in a second green revolution especially in the eastern states of the country – and this can be achieved by supporting the marginalized farmers without fear of creating non – performing assets.

Traditionally Indian banks have focused on meeting the needs of major businesses and mainstream industries. But with unemployment reaching newer heights, the focus of banks shall be to address small businesses and prospective entrepreneurs. Tapping into high-profit low-investment sectors shall not only be more lucrative for banks but also achieve the welfare objectives that our society now demands. Banks should encourage new and small businesses to draw from the reserves of mainstream banking rather than looking at private money lenders for their financing needs.

MISSION

The bank should stipulate, that everything you do will be honest, accurate and with integrity. It should also go without saying that you will treat everyone with respect and dignity. Most banks are well intentioned and try hard to come up with an effective mission statement.

After four years of consecutive losses, the state run banks are likely to report a profit of Rs.23,000-37,000 crores in the next financial year, with their gross non performing loans declining to 8.1% to 8.4% by March 2020 even though overall profitability will remain weak with return on net worth of 4% to 6.3%. In the first nine months of Financial Year

³ <https://indianmoney.com/articles/payment-banking-in-india>

⁴ <http://www.mapsofindia.com/my-india/business/modis-vision-for-banking-industry>

2019 the net losses stood at Rs.42,000crore and is expected to increase to Rs.65,000 crore during FY2019 as compared to Rs.85,400 crore during FY2018.

Corporate Social Responsibility by PSB in India

Under the old companies Act 1956 there was no provision of CSR. However the CSR was introduced as voluntary guidelines in 2009 by the Ministry of Corporate Affairs.

Four Types of Corporate Social Responsibility

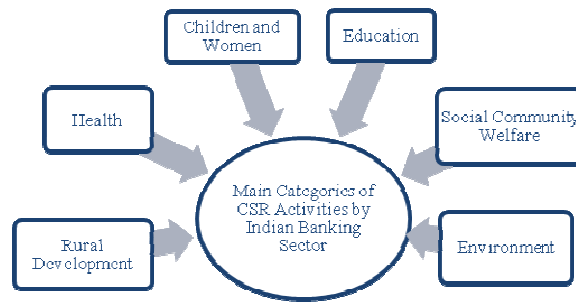


Figure 1

Environmental Sustainability Initiatives

- Direct Philanthropic Giving
- Ethical Business Practices
- Focus on Economic Responsibility

The CSR in Indian Banking Sector is aimed towards addressing the financial inclusion, providing financial services to the unbanked or untapped areas of the country, the social economic development of the country by focusing on the activities like children welfare, community welfare, education, environment, healthcare, poverty eradication, rural development, vocational training, women's empowerment, protection to girl child and employment.⁵

Table 3: Net Profit/Loss of the Public Sector Banks in India for the Financial Year 2013-18

S. No	Banks	2017-2018 Rs. (in crore)	2016-2017 Rs. (in crore)	2015-2016 Rs. (in crore)	2014-2015 Rs. (in crore)	2013-2014 Rs. (in crore)
1.	Allahabad Bank	-4,674.37	-313.52	-743.31	620.90	1,172.02
2.	Andhra Bank	-3,412.53	174.33	539.84	638.44	435.58
3.	Bank of Baroda	-2,431.81	1,383.14	-5,395.54	3,398.44	4,541.08
4.	Bank of India	-6,043.71	-1,558.31	-6,089.21	1,708.92	2,729.27
5.	Bank of Maharashtra	-1,145.65	-1,372.51	100.69	450.69	385.97
6.	Canara Bank	-4,222.24	1,121.92	-2,812.82	2,702.62	2,438.19
7.	Central Bank of India	-5,104.90	-2,439.10	-1,117.67	606.45	-1,262.84
8.	Corporation Bank	3,950.42	561.21	-506.48	584.26	561.72
9.	Dena Bank	-1,923.15	-863.62	-935.32	265.48	551.66
10.	Indian Bank	1,258.99	1,405.68	711.38	1,005.17	1,158.95
11.	Indian Overseas Bank	-6,299.50	-3,416.74	-2,897.33	-454.33	601.74

⁵ [http://www.academia.edu/9387124/Corporate Social Responsibilities in Indian Bank](http://www.academia.edu/9387124/Corporate_Social_Responsibilities_in_Indian_Bank)

12.	IDBI	-8,237.92	-5,158.14	-3,664.80	873.39	1,121.40
13.	Oriental Bank of Commerce	-5,871.74	-1,094.07	156.08	497.08	1,139.41
14.	Punjab & Sind Bank	-743.80	201.08	335.97	121.35	300.63
15.	Punjab National Bank	-12,282.82	1,324.80	-3,974.40	3,061.58	3,342.58
16.	State Bank of India	-6,547.45	10,484.10	9,950.65	13,101.57	10,891.17
17.	Syndicate Bank	-3,222.84	358.95	-1,643.49	1,522.93	1,711.46
18.	UCO Bank	-4,436.37	-1,850.67	-2,799.26	1,137.80	1,510.54
19.	Union Bank of India	-5,247.37	555.21	1,351.60	1,781.64	1,696.20
20.	United Bank of India	-1,454.45	219.51	-281.96	255.99	-1,213.44
21.	Vijaya Bank	727.02	750.49	381.80	439.41	415.91

Sources: Dion Global Solutions Limited

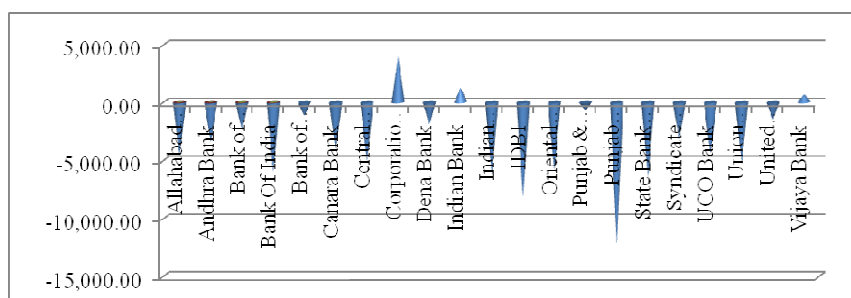


Chart 1: This Chart Shows the Net Profit/Loss of the Public Sector Banks in the Financial Year 2017 - 2018

TYPES OF LOANS GIVEN BY THE PUBLIC SECTOR BANKS IN INDIA

Here is the information about 20 Types of Loans in India. Loan is money which a borrower takes from the lender with the promise to return back in fixed period of time. The borrower will also pay additional interest amount along with principal amount.

TYPES OF LOANS GIVEN BY PUBLIC SECTOR BANKS IN INDIA⁶

Table 4

Types of Loans Given by Public Sector Banks in India		Types of Advances Given by Public Sector Banks in India	
1.	Home loan	1.	Cash credit,
2.	Education Loan	2.	Overdraft,
3.	Car Loan or Vehicle Loan	3.	Term Loans,
4.	Personal Loan	4.	Project Finance
5.	Loan against Car	5.	Bills Purchased
6.	Loan against Mutual Funds or Shares	6.	Bills Discounted
7.	Loan against FD	7.	Bank Guarantee
8.	Loan against Life Insurance	8.	Letter of Credit
9.	Loan against Property	9.	Packing Credit
10.	Top up Home Loan	10.	Debit/Credit Cards
11.	Gold Loan	11.	More such types are mentioned under schedule 9 of Banking Regulation Act
12.	Loan from PPF (Public Provident Fund)		
13.	Construction Equipment Loans		
14.	Business Loan		
15.	Rural Loans		
16.	Mudra Loan		
17.	Cash against Invoice		

⁶Reference: <http://www.businessworld.in/public-sector-Banks-report/15.03.2019>

18.	Over Draft	
19.	Working Capital Loan	
20.	Loan from unorganized sector	
21.	Two-Wheeler Loan	

There are 20 Types of Loans in India. Loans are beneficial, especially to middle class and poor people. You can fulfill your dream by taking loan. Loans can help you to avail facilities such as home, car, study etc. There are different types of loans available in India. You can select a loan based your requirement. However, it is good ideas to explore the various loan options before taking loan.

Comparison Chart for Loans and Advances

Table 5

Basis for Comparison	Loans	Advances
Meaning	Funds borrowed by an entity from another entity, repayable after a specific period carrying interest rate are known as loans.	Funds provided by the bank to an entity for a specific purpose, to be repayable after a short duration is known as Advances.
Nature	Debt	Credit Facility
Term	Long Term	Short Term
Legal Formalities	More	Less
Security	May or may not be secured	Primary Security, Collateral Security

Loss for Public Sector Banks in India: NeeravModi Fraudulent Case⁷

Punjab National Bank is an Indian multinational banking and financial services company. It is a state owned corporation based in New Delhi, India. The bank was founded in 1894. The action came nearly a year after Rs 14000 crore PNB scam shook the nation. Billionaire diamond jeweller NiravModi and his uncle MehulChoksi are wanted in relation to the scam. **Loss for Public Sector Banks in India: Vijay Mallaiya Fraudulent Case⁸**

Table 6

S. No	Name of the Bank	Rs. in crores	S. No	Name of the Bank	Rs. in Crores
1.	State Bank of India	1600	8.	UCO Bank	320
2.	Punjab National Bank	800	9.	Corporation Bank	310
3.	IDBI	800	10.	State Bank of Mysore	150
4.	Bank of India	650	11.	Indian Overseas Bank	140
5.	Bank of Baroda	550	12.	Punjab & Sind Bank	60
6.	United Bank of India	430	13.	Axis Bank	50
7.	Central Bank of India	410	14.	Federal Bank	90
			15.	Other 3 Banks	603
Total Unpaid Loans by Vijay Mallaiya's King Fishers Airways 6963					

Even for getting a personal loan and education loan the bank manager is asking and verifying so much of document but for the business people got crores of amount as loan in India and informing to them to be out of the country. Both of them have fled abroad.

ROLE OF PUBLIC SECTOR BANKS IN INDIA

⁷The Indian Express News

⁸The Indian Express News

As agriculture is the backbone of Indian economy, Public Sector Banks play a crucial role in pushing the agricultural economy. They are less concerned with making profits as compared to Private Sector but they need profits. The Government expects the financial performance of banks to improve as their bad loans come down.

Last month, the RBI allowed three lenders to come out of the prompt corrective action framework, under which some of their activities were curbed. Rs.2.87 lakh crore have been recovered by the Public Sector Banks (PSBs).⁹ The Union Minister of Finance and Corporate Affairs, ArunJaitley said that the Public Sector Banks are the lifeline of Indian economy. He said that if their health is not good, then economy at large will also suffer. The growth of our economy depends on Public Sector Banks ability to flow credit to the market and maintain sufficient liquidity. If that does not happen, the economy as a whole will shrink. The Finance Minister said that the worst in banking system is now behind us. Our fast growing economy needs to develop into a developed society and to do that, it is imperative that we must also be an ethical society.

So India's much-hyped mega bank is finally here. The new entity is now India's second largest public lender after SBI and third largest overall after SBI and HDFC Bank. The mega bank now has a balance sheet size of over Rs 15 lakh crore — with deposits worth of Rs 8.75 lakh crore and advances worth Rs 6.25 lakh crore. The combined entity boasts of 120 million customers, 85,000 employees, over 9,500 branches and 13,400 ATMs. The merger will lower operational and funding costs, and also strengthen risk management practices for each of the three banks. As a result, operational efficiencies for all three are likely to go up significantly.

OBJECTIVES OF PUBLIC SECTORS BANKS

- Transformation of Economy
- Redistribution of Income and wealth
- Source of Capital Formation
- Development of Socioeconomic Infrastructure
- Achievement of balanced Regional Development
- Reduction of Concentration of Wealth and Economic power in private hands
- Attainment of the Planned Resource Allocation

Table 7: Advances for the Financial Year 2013-2014 to 2017-2018

Advances for the Financial Year 2013-2014 to 2017-2018						
S. No	Banks	2017-2018 Rs. (in crore)	2016-2017 Rs. (in crore)	2015-2016 Rs. (in crore)	2014-2015 Rs. (in crore)	2013-2014 Rs. (in crore)
1.	Allahabad Bank	152,060.74	150,752.70	152,372.05	149,876.84	138,006.57
2.	Andhra Bank	149,064.13	136,846.33	130,787.89	125,954.73	107,644.20
3.	Bank of Baroda	427,431.83	383,259.22	383,770.18	428,065.14	397,005.81
4.	Bank Of India	341,380.19	366,481.67	359,188.95	402,025.54	370,733.54
5.	Bank of Maharashtra	85,797.28	95,515.23	107,562.67	98,599.10	88,920.40
6.	Canara Bank	381,702.99	342,008.76	324,714.82	330,035.51	301,067.48

⁹ <http://economictimes.indiatimes.com/industry/banking/finance/banking/finance-ministry-experts>

7.	Central Bank of India	156,542.18	139,398.77	180,009.59	188,477.53	177,315.17
8.	Corporation Bank	119,868.84	140,356.79	140,322.24	145,066.04	137,086.30
9.	Dena Bank	65,581.51	72,574.62	82,328.33	78,934.31	77,553.77
10.	Indian Bank	156,568.93	127,699.28	129,049.08	125,863.55	122,208.99
11.	Indian Overseas Bank	132,488.82	140,458.62	160,860.67	171,756.02	175,887.77
12.	IDBI	171,739.95	190,825.93	215,893.45	208,376.87	197,686.00
13.	Oriental Bank of Commerce	136,367.87	157,706.00	148,879.99	145,261.30	139,079.84
14.	Punjab & Sind Bank	66,569.45	58,334.53	63,916.07	63,870.18	57,239.07
15.	Punjab National Bank	433,734.72	419,493.15	412,325.80	380,534.40	349,269.13
16.	State Bank of India	1,934,880.19	1,571,078.38	1,463,700.42	1,300,026.39	1,209,828.72
17.	Syndicate Bank	210,683.87	199,669.35	201,368.49	202,719.82	173,912.41
18.	UCO Bank	107,470.02	119,724.45	125,905.37	147,350.87	149,584.21
19.	Union Bank of India	288,760.58	286,466.58	267,354.00	255,654.57	229,104.43
20.	United Bank of India	62,490.20	66,139.30	68,060.20	66,763.04	65,767.51
21.	Vijaya Bank	116,165.44	94,548.89	88,986.96	86,695.86	81,504.03

Sources: Dion Global Solutions Limited

Problems Faced by Public Sectors in India

Table 8

1. Absence of Rational Pricing	2. Operational and Managerial inadequacies	6. Government Interference
a) Profit as the basis of Price Fixation	3. Evil Competition and Sabotage	7. Heavy Social Costs
b) No-Profit basis of Public utility approach	4. Technological Gap	8. Endowment Constraints
c) Import Parity Price	5. Under – Utilisation of Capacity	9. Marketing Constraints
		10. Surplus Manpower
		11. External Factors

Table 9: Financial Performance of Public Sector Banks in India as on 31.03.2018

Rs. in Crores				
S.No	Banks	Operating Profit	Provisions for Bad Loans & Contingencies	Net Profit/Net Loss
1.	Allahabad Bank	3438	10029	-4,674.37
2.	Andhra Bank	5361	10822	-3,412.53
3.	Bank of Baroda	12005	14796	-2,431.81
4.	Bank Of India	7139	15772	-6,043.71
5.	Bank of Maharashtra	2191	5457	-1,145.65
6.	Canara Bank	9548	16109	-4,222.24
7.	Central Bank of India	2733	10629	-5,104.90
8.	Corporation Bank	3950	10631	3,950.42
9.	Dena Bank	1171	4350	-1,923.15
10.	Indian Bank	5001	3925	1,258.99
11.	Indian Overseas Bank	3629	12261	-6,299.50
12.	IDBI	7904	20497	-8,237.92
13.	Oriental Bank of Commerce	3703	9798	-5,871.74
14.	Punjab & Sind Bank	1145	1740	-743.80
15.	Punjab National Bank	10294	29869	-12,282.82
16.	State Bank of India	54075	75039	-6,547.45
17.	Syndicate Bank	3864	8252	-3,222.84
18.	UCO Bank	1334	5761	-4,436.37
19.	Union Bank of India	7540	14181	-5,247.37
20.	United Bank of India	1024	3971	-1,454.45
21.	Vijaya Bank	3098	2114	727.02
Total		1,50,149	2,86,004	-85370.00

Source: <http://www.allbankingupdate.com/financial-performance-of-public-sector-banks-as-on-31st-mar-2018/>

The Central Government entered the banking business with the nationalization of the Imperial Bank of India in

1955. A 60% stake was taken by the Reserve Bank of India and the new Bank was named as the State Bank of India. The seven other state banks became the subsidiaries of the new bank when nationalized on 19th July 1960. The next major nationalization of banks took place in 1969 when the government of India, under Prime Minister Indira Gandhi, nationalized an additional 14 major banks.

Sources of Income for Banks Apart From Interest¹⁰

Table 10

Major item is Interest received on loans and advances. Then comes	
Discount and Commission	Agency business -For doing government business -Turn over commission from RBI (mostly public sector banks). Income from Non Banking Assets and profit from sale or dealing with such assets Processing Fee (charged as a percentage of loans granted, and this is a big chunk) Charges- for demand drafts, statements, ATM card fees, ATM usage(of other banks) penalties, LCs etc. Other income include cross selling of products such as life insurance premium, Pension fund etc.,
Interest earned on Investments	
Earning from foreign exchange dealings	
Service charges collected.	
Rent Realized.	
Interest and Discount	
Commission ,Exchange and brokerage	
Subsidies and Donations Received	
Other Receipts (specify)	
Interest income	
Bills of exchange (discount amount)	
Income from the issue of Letters of Credit	
Foreign exchange selling and buying	
Demand draft, Neft charges	
Demat charges (maintenance and brokerage)	

Non-Performing Asset (NPA)

Non Performing Asset means a loan or an account of borrower, which has been classified by a bank or financial institution as sub-standard, doubtful or loss asset, in accordance with the directions or guidelines relating to asset classification issued by RBI.

Example of Non-Performing Asset (NPA)

We suppose that a party was disbursed a loan on January 1st, 2010. Its due date is June 1st, 2010. But the party does not make a payment. So

- It will be a Standard Asset from January 1st, 2010 till June 1st, 2010 (Due Date)
- It will be a Special Mention Account from June 2nd, 2010 till August 29th, 2010 (90days)
- It will be Sub-standard from August 30th, 2010 till August 29th, 2011 (1 year)
- It will be doubtful from August 30th, 2011 till August 29th, 2012
- It may remain doubtful Asset for a period of 3 years, beginning from 12 months of being an NPA, but once the auditors identify it as a loss, it will be assigned loss assets; however, the period may be anything above 3 years.

Table 11: Ratio of Gross Non Performing Assets of Public Sector Banks as on 31.3.2018

¹⁰ <http://economictimes.indiatimes.com/industry/banking/finance/banking/finance-ministry-experts>

S. No.	Bank	NPA ratio (%)	S. No.	Bank	NPA ratio (%)
1.	Allahabad Bank	16.0	2.	IDBI	25.3
3.	Andhra Bank	17.1	4.	Oriental Bank of Commerce	17.6
5.	Bank of Baroda	12.3	6.	Punjab & Sind Bank	11.2
7.	Bank Of India	16.6	8.	Punjab National Bank	18.4
9.	Bank of Maharashtra	19.5	10.	State Bank of India	10.9
11.	Canara Bank	11.8	12.	Syndicate Bank	11.5
13.	Central Bank of India	21.5	14.	UCO Bank	24.6
15.	Corporation Bank	17.4	16.	Union Bank of India	15.7
17.	Dena Bank	22.0	18.	United Bank of India	24.1
19.	Indian Bank	28.0	20.	Vijaya Bank	6.3
21.	Indian Overseas Bank	7.4			

Sources: RBI (global operations, provisional data for March-2018)

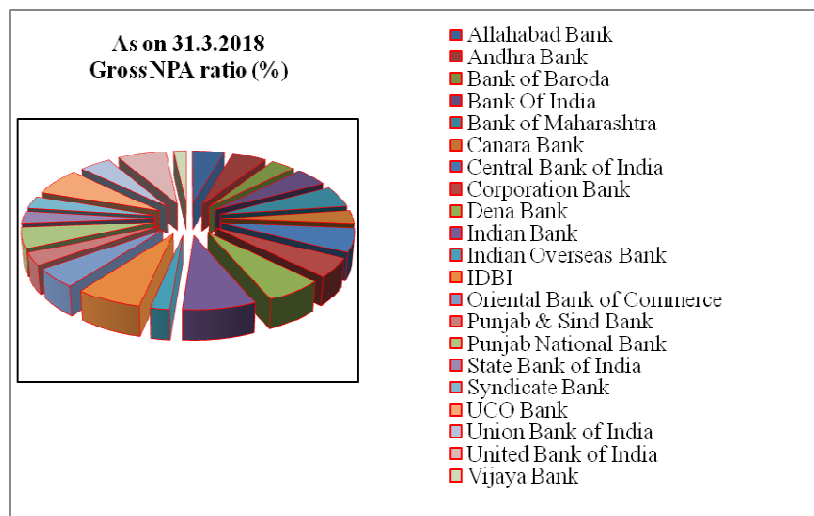


Chart 2: Shows Gross NPA Ratio of the Public Sector Banks in India on 31.03.2018

This was stated by Shri Shiv Pratap Shukla, Minister of State for Finance in written reply to a question in Rajya Sabha

TYPES OF NPA¹¹

Standard Assets: A standard Assets is a performing asset. Standard assets generate continuous income. Such assets carry a normal risk and are not NPA in the real sense. So, no special provisions are required for Standard Assets.

Sub-Standard Assets: All those assets (loans and advances) which are considered as non-performing for a period of 12 months are called as Sub-Standard Assets.

Doubtful Assets: All those assets which are considered as non-performing for a period of 12 months are called as Doubtful assets.

Loss Assets: All those assets which cannot be recovered are called as Loss Assets.

Causes of NPA

¹¹<http://www.facebook.com/bankerssadda/posts/-non-performing-assets>

- The main causes of NPA is Default by the borrower
- Lack of proper pre-enquiry by the bank before sanctioning a loan to a customer
- Diversion of funds by the customer (means customer not spending on the purpose for which he has taken loan)
- Political Interferences
- Change in Government Policies
- Improper MIS
- Natural Calamities, which makes customer financially unstable to pay back to the bank

FINDINGS

SBI: When I and my brother went to open SB account in SBI in Usilampatti Branch, we waited for 3 hours, when we asked the reason for delay, the manager said, for Rs.100 and Rs.500 savings deposit persons we can't consider and speak. What is the use of us by you? We need only Fixed Deposit customers only.

And one more time I went to SBI in Usilampatti Branch for printing the Passbook entries the employee said, Passbook has to be changed. I replied and accepted to change it. For this he said, you can come yearly once we have to change for you, is it? Then one more word also used.

From the time onwards our family members never go to that Bank for any Purpose and we withdraw the Mutual Fund Payment with the Bank and we say to others also not to keep the account in SBI.

My uncle is a pensioner and he had Fixed Deposit Account in SBI Usilampatti for Rs.5, 00,000. By using this he gave surety to his friend for Rs.2, 00,000. After two years his friend transfers his account to Madurai Corporation Bank. Six months passed, when my uncle went to take amount Rs. 2, 00,000 from his fixed deposit account, the Bank Manager not allowed to take that money and asked him to pay the surety amount Rs.2, 00,000. After that only he knows that his friend transferred his account and where he had transferred also didn't know. His friend also a pensioner. The manager has checked the account after the six months from the account transferred. Before itself, at the time of transferring account the manager has to check any due is there are not.

- The workers in the bank are not sincere in their working.
- They are not considering the customers.
- The workers in the bank not responding the answer to the customer properly
- They are not speaking clearly to the customers
- They are treating the customers as an enemy by way of speaking and showing behavior
- If they speak also the words are not in a Polite manner
- Their concentration is only with the highly business people
- Salary to the Bank workers is enough. But they are all participating in strike to raise salary.
- Compare to Private Workers their work is less.

- Corruptions are in bank by giving loan
- We don't understand, Whether they are Checking/Without checking document properly when they are giving loan because after the problem found, the bank staffs are saying that the persons were given the duplicate document for receiving the loan. Again the staff of the Public Sector Bank said that the loan receiver cheated the bank by giving wrong information. And the Bank Staffs supported the cheating persons to escape from the country.
- When the middle class people went to apply for the loan the staff in bank reject by verifying the document. For giving 50,000 Personal loans the bank manager asked Signature of the guaranteed persons and LIC policy number also. But for giving Rs.13,500 crores as a loan what document had been received by the Public sector bank and what kind of surety document received by the public sector bank?

SUGGESTIONS

There are many branches of public sector banks have been open in various locations. So they have to be competitive with the other banks for existing in the Banking Industry. To overcome with other banks the bank employees must have to work little hard.

- Staff should co-operate with Government and Customer
- To meet the competitive the workers have to work hard
- The staff should not use harsh words to the customers
- The staff should be polite with customers
- The staff should not show the partiality with customers by financial position
- Their thought should be changed – (Their thoughts are whether they work or not salary will seek us and come to them.)
- The teachers had been regulated in their duty by giving the order from the government that they have to show the centum result of their students. If the result is worst, the y will have been transferred to other school. For avoiding transfer the teachers worked hard in Government Schools. Likewise the Bank Staffs should be regulated.

CONCLUSIONS

Now, from the above discussion, it is clear that loans and advances are two different terms. Loans are the source of long-term finance while the Advances are granted by the banks to meet short-term financial requirements i.e. they are repayable within one year. Interest is charged on both as well as both are repayable either in a lump sum or installment or on demand.

REFERENCES

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